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Guatemala

Product Brief

Processed Fruits & Vegetables

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Report Highlights:

The Guatemalan processed fruits & vegetables' market has shown an upward trend during the past five years from \$4.5 million 1994 to \$14.7 million in 1999, and is expected to continue growing in the coming years. Even though the U.S. holds a leadership position on imports of processed fruits & vegetables with 40% of the total market, there are countries such as Canada, Mexico and Chile, which also compete very strongly with products such as french fries, potato chips, and prepared tomatoes.

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I MARKET OVERVIEW

The Guatemalan processed fruits & vegetables' market has shown an upward trend during the past five years from \$4.5 million in 1994 to \$14.7 million in 1999, and is expected to continue growing in the coming years. This market in Guatemala is very competitive as there are countries such as Canada, Mexico, Honduras, Chile and Spain, which have captured the markets on french fries, whole tomatoes, potato chips, beans, jams & jellies, and tomato ketchup/sauces. Imports of U.S. processed fruits and vegetables have been able to increase due to consumer awareness of the nutritional value and high quality of these products. There are products for every consumer's taste and purchasing capacity. U.S. products have a presence in almost all of the categories of imported processed foods in Guatemala. There are a great variety of products in the market, which vary from low to high quality; and from inexpensive to very expensive.

Even though the U.S. holds a leadership position on imports of processed fruits & vegetables with a 39.6% share of the total market, there are countries such as Canada, Mexico and Chile, which also compete very strongly with products such as french fries, potato chips, and prepared tomatoes. For example in 1999, Chile exported to Guatemala \$3.9 million of prepared tomatoes. The Mexican share of the potato chips market in Guatemala is very high. Sabritas, a Mexican brand entered the market in 1998 and by 2000 had captured almost 40% of the market. Also Canada, is the second major exporter of processed fruits and vegetables thanks to just one product: "french fries".

Although the processed fruits and vegetables sector contains a wide variety of products, in Guatemala, opportunities exist in only five categories: tomato ketchup/sauces; whole tomatoes; potatoes prepared; jams, fruit jellies, purees and potatoes prepared frozen.

<i>Advantages</i>	<i>Challenges</i>
Consumer awareness of the high quality and nutrition of U.S. processed fruit & vegetables products.	These products are consumed almost entirely by the middle and high income classes which represent only 22% of the country's population.
High quality of raw material for processed products are being used by local processing industry to produce lower priced products.	There are countries like Mexico, Chile, Spain, Honduras and Venezuela which have captured the market on tomatoes whole, potato chips, beans, jams & jellies, and tomato ketchup/sauces
The U.S. products have a presence in almost all of the categories of imported processed foods.	The economic conditions of the country limits imports, due to a weak economy.

<i>Advantages</i>	<i>Challenges</i>
Of the 11.8 million Guatemalans 2.3 million inhabitants are in a position to afford imported goods.	Some imports cost much more than nationally produced products.
Effective market promotion can overcome price sensitivity, and retailers are open to this and will readily participate.	Imports must go through a complicated bureaucratic process and pay high tariff.

For a much broader overview of exporting to Guatemala read Post's report the Exporter Guide 2000 on the web at www.fas.usda.gov/scripts/attacherep/default.asp.

II MARKET SECTOR OPPORTUNITIES

Processed fruits & vegetables exports from the United States have increased from \$5.3 million in 1997, to \$14.5 million in 2000. That is an increase of more than 50 percent in a three year period. This growth has given U.S. exporters an opportunity to introduce, promote and sell a wide variety of products within the 35 categories of processed fruits & vegetables (see table 3.) However, the products with the best prospects are the following:

French fries: Canada exports \$1.6 million of french fries to the major fast food restaurant chains such as McDonalds, Burger King, and Wendy's among others, placing it as the leading french fries supplier to Guatemala. Canadian french fries are preferred not only for its lower prices but also because McCain is a well recognized brand which has maintained its presence in the Guatemalan market for years. However, the U.S. could begin to introduce its french fries if prices are lower than Canadian french fries and also through a more aggressive marketing campaign to promote U.S. products. This promotion could be done together with the U.S. Potato Commission holding seminars on the U.S. product's quality, competitive transportation service, and other aspects where the U.S. product can show superiority.

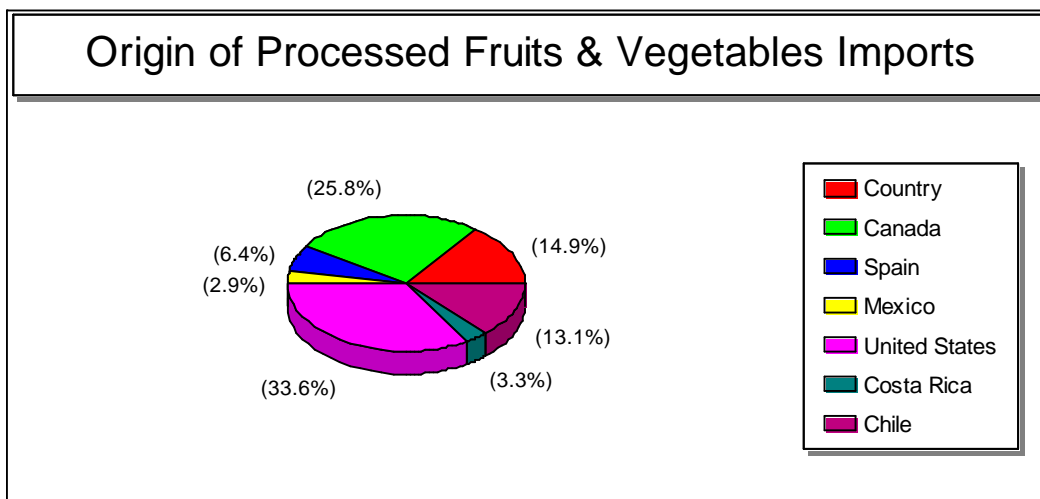
Processed whole tomatoes: Chile is one of the major suppliers for processed tomatoes in Guatemala. This product is imported in bulk and used as raw material to prepare tomato paste, sauces and juices. Local companies such as Kern's use this raw material to prepare the leading ketchup. In 1999, Chile's exports to Guatemala were approximately \$3.5 million. In order for U.S. firms to compete with Chile, companies must be able to land the products in Guatemalan ports at \$0.88 per kilogram. Also, it is important to take into account that the United States is geographically closer to Guatemala than Chile, therefore the transportation costs could be lower.

Potato chips: Mexico is a major exporter of potato chips to Guatemala. The leading brand Sabritas entered the market in 1997. Their marketing strategy was to distribute their products to the mom & pop stores nationwide. Product lines include small sizes for kids' lunch bags and party packs. The U.S. brands have a presence in supermarkets and convenience stores with Pringles. However, retail prices for a regular Pringles' pack are about \$2.00 and competes with Sabritas party pack selling for \$1.10.

Mushrooms: Guatemala imports 54 gallon drums from India for a price of \$1.15 per pound. Sol, which is a local brand, cans their mushrooms in small sizes and seals them with their brand. U.S. is in second place supplying mushroom to Guatemala. However, the mushrooms coming from the U.S. are pre-canned and have an average price of \$1.99 a pound. If a U.S. supplier sold the bulk product to SOL at less than \$1.15 per pound they could easily enter the market in competing with India.

Jams, fruit jellies, purees: The local market in Guatemala is very competitive with imported products. Low prices and traditional Guatemalan fruit varieties has given brand recognition to companies such as Anabelly, Dulcinea and Malher. The U.S. competes with Guatemalan and Chilean products with just one brand, "Knott's". There are some private label brands in the market such as Best Yet from Fleming, but their volumes are very small. This means that there is still a wide market for U.S. products if companies introduce private labels or discount brands that could put products with a price lower than \$1.06 per kilogram.

Finally, products such as sweet corn, peas, mixed fruits and prepared red peppers have an opportunity in the Guatemalan market as consumers are looking for foods that are ready to eat and could also be used as an ingredient to prepare meals. PriceSmart, ClubCo and others are opening the warehouses retail outlets this opening the market and brands like Del Monte and Green Giant are also well known and recognized for quality.



Entry Strategy

Success in introducing a product in the market depends on local representation and personal contact. Selecting a distributor is the easiest and fastest way to enter the market. In particular, it is best if this distributor is already supplying the food industry, in order to benefit from their existing customer base. The local representative or distributor should be able to provide market knowledge and guidance on business practices and trade related laws, as well as sales contacts. In many cases the local representative or distributor is also the importer.

Best prospects for high-value products

- | | |
|--|------------------------------|
| 1. Tomato ketchup/sauces | 6. Peaches canned |
| 2. Tomato whole | 7. Beans nes |
| 3. Potatoes prepared | 8. Fruits, nuts, fruit-peel |
| 4. Jams, fruit jellies, purees | 9. Sweet corn canned, frozen |
| 5. Potatoes prepared frozen (french fries) | 10. Ground nuts |

Market Size

- T** Total imports of processed fruits & vegetables imports is estimated to be more than \$17 million for the year 2001.
- T** U.S. exports of processed fruits & vegetables are expected to account for 40.0 % of the total market in 2001 up from 37.5% in 2000. ^{1/}
- T** Imports of processed fruits & vegetables grew 115% from 1996 to 1999, from \$9.8 million to \$21.1 million. ^{1/}
- T** If trend holds, the processed fruits and vegetables sector should continue to grow at a rate of 10-15% a year.

^{1/} Source: U.N. Trade Database

Guatemala's economy is the largest in Central America, with GDP of about \$19 billion. U.S. exports to Guatemala in 1998 totaled \$1.59 billion, which includes food exports of \$259.8 million. Exports of U.S. products are expected to grow by 12% in 2001. U.S. products enjoy high name recognition in the country and U.S. firms have a good reputation. As a result, almost one half of all Guatemala's imports come from the United States.

The total food retail market for year 2000 was about \$436.0 million. Eighty percent of this was sold by one single company. La Fragua S.A. is the major supermarket chain in Guatemala. It is composed of HiperPaiz, Paiz, and La Despensa Familiar. This firm dominates the market with a combined market share of 77.2% and food sales of about \$317 million, with total turn over of about \$561 million. However, they have lost a little market share. Last year they dominated with 82.4% share of the market. In December of 1999, they signed an agreement with Royal Ahold to combine their strategies for expansion in the region. All new stores in the Central American region will be joint ventures with a 50-50 stake by each company. Also, Royal Ahold will be in charge of sourcing, supplying both new and old stores from their warehouse in North Carolina, however, this is yet to happen. Apparently, there have been some logistics problems that haven't been solved.

Overall, supermarkets account for over 52% of the retail food market, followed by hyper marts with 27.8%. The warehouse concept is new in Guatemala, but it has already made an impact with over 15% of the market. Finally, convenience stores have a very small section of this market with only 4.6%.

For additional information on the retail market read the Post's Retail Food Market report available through the internet at www.fas.usda.gov/scriptsw/attacherep/default.asp.

III IMPORT COSTS AND PRICES

T All imported products including processed fruits & vegetables pay a 10% value added tax (Known in Guatemala as IVA.)

T Import duties are 15 % on CIF value.

T Freight charges:

From Miami for a 40 ft. container:

Dry goods	Refrigerated products
\$1,600.00	\$3,100.00

From the West Coast 40 ft. container:

Dry goods	Refrigerated products
\$2,100.00	\$3,600.00

T In land transportation from port to Guatemala City:

From Pacific:	\$155.00
From Atlantic:	\$350.00

T Inspection fees and customs brokers' fees: Approximately \$100.00

There are other options for transporting to Guatemala. Recently, Tampa initiated a service to and from Guatemala, also Long Beach has a service twice a month to Guatemala. The Port of Corpus Christi is looking to start a service to Guatemala in the near future. The traditional ports other than Miami that have done business to Guatemala are Houston and New Orleans.

There are two ways to enter the Guatemalan market, first, through a distributor and the second through supermarkets. However, it is best to enter through a distributor because the promotion of the products can be done throughout the whole country while doing it through a supermarket, products are sold only on their supermarket stores. The total mark up for a distributor is between 15 and 20%. The total mark up in supermarkets goes from 22 to 28% and could go as high as 35% for dairy, poultry and meats.

IV MARKET ACCESS

Food Standards and Regulations

The Division of Registration and Control of Medicines and Foodstuffs of the Ministry of Health, hereafter referred to as Food Control is the main authority for food products legally imported or manufactured in Guatemala. The Health Code which regulates Food Control was established in 1979 by Government Decree # 45-79. Title II Chapter Two of the Health Code refers to food products. Food Control, under authority of Ministerial Decree 132-85, is responsible for upholding food product norms set by the Guatemalan Ministry of Economy's Commission of Standards (COGUANOR). This commission is governed by the Executive Advisory Committee which is made up of representatives from the Ministry of Health, Ministry of Economy, Ministry of Labor, School of Engineers and Chambers of Agriculture, Industry and Commerce. In addition, all imported foods of animal or vegetable origin must comply with the following requirements: present a phytosanitary or zoosanitary certificate, a certificate of origin, a certificate of free sale, import license and a commercial invoice. All of these requirements are controlled by the Unit of Norms and Regulations from the Ministry of Agriculture, Livestock and Food.

There are many specifications, rules, legislation and other requirements regulating food products. These requirements are quite complicated and often subject to different interpretations. However, there is a considerable lack of resources in Food Control to effectively enforce the Health Code. Currently, many products are sold with the exact same label as in the U.S. This trend is changing and more importing companies are complying with the law in anticipation of more strict enforcement by the Ministry of Health. For additional information read the FAIRS Report 2000 at www.fas.usda.gov/scripts/attacherep/default.asp.

Product Registration is required

For all packaged food products in Guatemala. Food Control at the Ministry of Health is responsible for all registrations. Food Control issues a registration number after a laboratory test has been performed on the product. This registration number is valid for five years and takes between four and six weeks to obtain. In addition to the laboratory analysis done on the product at the time of registration, the law requires inspections at the point of entry, wholesale and retail level for the wholesomeness of the product. There is no environmental legislation that affects the importation of food products. The cost of registration and analysis of a product is about \$100 U.S. Dollars.

Labeling Requirements

Labeling requirements are set by COGUANOR'S labeling standard #34039. It sets 40 requirements with respect to the appearance of the label, what information should be on the label and that it is written in Spanish. However, importers negotiated with COGUANOR and reached an agreement for a stick-on label to be used with the following information written in Spanish:

1. Product definition/description
2. Name of the product(*This should be the official name as noted on the U.S. Certificate of free sale*)
3. Physical characteristics, Including ingredients (This has to be a qualitative composition, which was indicated in the back of the registration form). If this information is in English, please translate literally.
4. Net weight/volume
5. List of ingredients and additives and the percentage of total for each
6. Name, address and telephone number of the Guatemalan distributor
7. Food Control registration number (D.G.S.S.-D.R.C.A. _____) --*Sanitary license; obtained at a Center of Sanitation; the original license has to be presented. Cost for each product is about Q630.*
8. An expiration date
9. If applicable "Keep Frozen"
10. If applicable "Form of Preparation"

Import Procedure

All imported products from animal or vegetable origin are inspected by the "ventanilla unica" from the Unit of Norms and Regulations of the Ministry of Agriculture. The documents required are: phytosanitary or zoosanitary certificate, commercial invoice, import license, a certificate of origin and certificate of free sale. In order for the regulating entity to extend an import licence, they first request an original phytosanitary or zoosanitary certificate. Whether the imported product comes by air, land or sea, inspectors from OIRSA (The Inspection Entity from the Ministry of Agriculture) will be on sight to reassure that the proper paper work is in order. Then, inspectors perform an ocular inspection of the imported products in order to release them from customs. Packaged foods are regulated by the Office of Food Control at the Ministry of Health. The procedure is similar to the one at the Ministry of Agriculture with the difference that the

sanitary certificates are extended by the LUCAM which is the laboratory in charge of sanitary inspection.

V KEY CONTACTS

If you have any question or comments regarding this report or need assistance exporting to Guatemala, please contact the U.S. Agricultural Affairs Office at the following address:

Office of Agricultural Affairs
Avenida Reforma 7-01, Zona 10
Guatemala, Ciudad 01010

APO Address:

Agricultural Counselor
U.S. Embassy
Unit 3305
APO AA 34024

Tel: (502) 332-4030
Fax: (502) 331-8293
email: AgGuatemala@fas.usda.gov

For more information on exporting U.S. agricultural products to other countries, please visit the Foreign Agricultural Service home page: <http://www.fas.usda.gov>

APPENDIX I
Guatemala's Imports of Processed Fruits and Vegetables
(In thousands of U.S. Dollars)

	World	U.S.	World	U.S	World	U.S.	World	U.S.	% Change		U.S	Share	
PRODUCT	1996	1996	1997	1997	1998	1998	1999	1999	1998- 1999	1996	1997	1998	1999
Cucumbers	8	6	22	21	15	11	38	37	153%	75%	95%	73%	97%
Onions	5	2	4	3	39	37	7	3	-82%	40%	75%	95%	43%
Veg,Fruits,Nuts	121	58	255	104	356	104	162	82	-55%	48%	41%	29%	51%
Tomatoes whole	44	0	42	1	34	4	84	44	147%	0	2%	12%	52%
Tomatoes nes	1773	813	3041	1415	2535	474	3814	535	50%	46%	47%	19%	14%
Mushrooms prepared	109	20	88	23	174	36	283	24	63%	18%	26%	21%	8%
Truffles	0	0	0	0	25	0	18	0	-28%	0	0	0	0
Potatoes prepared frozen	30	30	65	50	9	8	1633	39	18,044%	100	77%	89%	2%
									%				
Vegetables and mixtures	41	32	104	56	67	44	92	83	37%	78%	54%	66%	90%
Homogenized vegetable	15	15	0	0	26	21	18	6	-31%	100	0	81%	33%
									%				
Potatoes prepared	101	55	458	458	2488	810	3012	1196	21%	54%	100	33%	40%
									%				
Peas	72	57	37	23	60	52	71	68	18%	79%	62%	87%	96%
Beans, shelled	97	12	8	8	87	44	18	14	-79%	12%	100	51%	78%
									%				
Beans nes	27	17	161	40	728	50	681	47	-6%	63%	25%	7%	7%
Asparagus	50	2	144	19	111	22	124	23	12%	4%	13%	20%	19%
Olives	76	7	111	13	139	36	260	16	87%	9%	12%	26%	6%
Sweet corn	198	188	286	231	313	254	547	535	75%	95%	81%	81%	98%
Veg nes, mixes	342	259	270	190	427	208	250	196	-41%	76%	70%	49%	78%
Fruits, nuts, fruit-peel	315	78	468	90	563	79	555	143	-1%	25%	19%	14%	26%
Homogenized jams, jellies	231	85	309	55	260	100	152	21	-42%	37%	18%	38%	14%
Citrus jams, jellies, marme	33	6	65	8	29	1	62	9	114%	18%	12%	3%	15%
Jams, fruit jellies, purees	909	457	3158	1006	3063	1091	2435	704	-21%	50%	32%	36%	29%
Ground-nuts	377	210	599	207	549	202	501	235	-9%	56%	35%	37%	47%
Nuts, seeds & mixes	24	22	51	24	107	14	180	134	68%	92%	47%	13%	74%
Pineapples	1	1	30	28	20	19	40	39	100%	100	93%	95%	98%
									%				
Citrus fruits	2	2	6	5	4	1	1	1	-75%	100	83%	25%	100%
									%				
Pears	77	8	74	16	32	17	47	21	47%	10%	22%	53%	45%
Apricots	103	12	75	10	9	8	12	9	33%	12%	13%	89%	75%
Cherries	10	9	7	7	13	7	27	11	108%	90%	100	54%	41%
									%				
Peaches	563	149	805	269	856	363	977	368	14%	26%	33%	42%	38%
Strawberries	4	3	1	1	0	0	5	5	500%	75%	100	0	100%
									%				
Palm hearts	2	0	0	0	0	0	1	1	100%	0	0	0	100%
Fruit mixtures	128	11	244	71	300	177	164	141	-45%	6%	29%	59%	86%
Fruit, edible plants	276	126	144	85	332	81	325	76	-2%	46%	59%	24%	23%
Tomato ketchup/sauces	3680	500	2205	531	3559	604	4595	604	29%	14%	24%	17%	13%
TOTALS	9844	3252	13337	5068	17329	4979	21191	5470	-1%	44%	46%	36%	32%

APPENDIX 2

**Total Imports of Processed Fruits and Vegetables from the U.S. and other countries
(In thousands of U.S. Dollars)**

PRODUCT	U.S.	Canada	Mexico	Spain	Costa Rica	Chile	Rest of countries	Totals
Cucumbers	37	0	0	0	0	0	1	38
Onions	3	0	3	2	0	0	0	7
Veg, Fruits, Nuts	<u>82</u>	0	18	23	39	0	0	162
Tomatoes whole	44	0	3	0	0	11	26	84
Tomatoes nes	535	0	43	0	0	<u>3063</u>	173	3814
Mushrooms prepared	24	0	0	7	0	5	<u>247</u>	283
Truffles	0	0	18	0	0	0	0	18
Potatoes prepared frozen	39	<u>1591</u>	0	0	0	0	3	1633
Vegetables and mixtures	<u>83</u>	0	0	0	0	0	9	92
Homogenized vegetable	6	0	0	1	0	0	11	18
Potatoes prepared	<u>1196</u>	15	<u>1734</u>	0	0	0	67	3012
Peas	<u>68</u>	0	0	0	0	0	3	71
Beans, shelled	<u>14</u>	0	0	2	2	0	0	18
Beans nes	47	0	37	0	0	0	<u>597</u>	681
Asparagus	23	0	0	21	0	16	<u>64</u>	124
Olives	16	0	0	<u>233</u>	0	0	11	260
Sweet corn	<u>535</u>	1	1	0	0	0	10	547
Veg nes, mixes	<u>196</u>	0	15	20	0	0	19	250
Fruits, nuts, fruit-peel	143	0	0	9	0	<u>360</u>	43	555
Homogenized jams, jellies	21	0	0	22	1	0	<u>108</u>	152
Citrus jams, jellies, marme	9	0	24	0	<u>29</u>	0	0	62
Jams, fruit jellies, purees	<u>704</u>	1	0	8	<u>1540</u>	163	19	2435
Ground-nuts	<u>235</u>	0	<u>211</u>	0	32	0	23	501
Nuts, seeds & mixes	<u>134</u>	0	0	0	14	0	32	180
Pineapples	<u>39</u>	0	0	0	0	0	1	40
Citrus fruits	1	0	0	0	0	0	0	1
Pears	21	0	0	6	0	8	12	47
Apricots	9	0	0	0	0	0	3	12
Cherries	11	0	0	0	0	16	0	27
Peaches	<u>368</u>	0	1	<u>232</u>	0	<u>363</u>	14	977
Strawberries	5	0	0	0	0	0	0	5
Palm hearts	1	0	0	0	0	0	0	1
Fruit mixtures	<u>141</u>	0	0	0	0	22	1	164
Fruit, edible plants	76	0	27	1	9	0	212	325
Tomato ketchup/sauces	604	0	25	1	<u>1301</u>	256	<u>2408</u>	4595
Totals	5470	1608	2160	588	2967	4283	4117	21193